

ACCOUNTING PROCEDURE

TOPIC: Section 14-Federal Funds 4.1	EFFECTIVE DATE: 6/27/83
TITLE: Indirect Cost Negotiation Agreement	REVISION DATE: 9/22/04
AUTHORIZED BY: Cheryl Thompson, Financial Manager	PAGE 1 OF 9

**BACKGROUND**

Various federally funded programs allow for the reimbursement of indirect costs incurred in operating the programs. These costs are computed by use of rates established for organizational units in the Department. Rates, negotiated on an annual basis, are finalized for a specific fiscal year and are provisional for stated subsequent periods until new rates are negotiated.

Attached is a copy of the September 17, 2004 Indirect Cost Negotiation Agreement between the Wisconsin Department of Health and Family Services and the Federal Department of Health and Human Services, which establishes the final indirect cost rates for the periods July 1, 2001 to June 30, 2002 and July 1, 2002 to June 30, 2003. Provisional indirect cost rates are given for July 1, 2003 until amended.

**PROCEDURES**

1. Final or provisional indirect cost rates for individual units will be applied by period on eligible grants and contracts in accordance with the agreement.
2. Indirect rates are approved by state fiscal year (SFY). When an indirect claim involves more than one SFY, the appropriate rate must be applied for each time period involved.  
  
Example: Federal Fiscal Year 2003 (October 1, 2002 to September 30, 2003).
  - a. October 1, 2002 to June 30, 2003--the final rate approved for SFY 2003 will apply.
  - b. July 1, 2003 to September 30, 2003--the provisional rate approved for July 1, 2003 until amended will apply.
3. Amounts claimed per the provisional rates previously in effect for the periods July 1, 2003 through September 16, 2004 do not need to be adjusted to the provisional rate just approved. Adjustments to indirect costs claimed for this period can be dealt with when final indirect cost rates are received.
4. The provisional rates for July 1, 2003 (until amended) should be used when filing grant applications or making budget adjustments.
5. Adjustments to indirect costs claimed for the periods July 1, 2001 through June 30, 2002 and July 1, 2002 through June 30, 2003 will be made when:

- a. Significant over or under claiming of indirect costs has occurred;
- b. An amended claim is being filed for other reasons;
- c. A final claim is being filed for the period;
- d. The project or program is undergoing a federal audit or as a part of an audit settlement.

Contact the Chief, Program and Federal Accounting Section or the Chief, Special Services and Financial Statements Section if there are questions regarding any indirect adjustments.

**ATTACHMENTS**

- 1. Indirect Cost Negotiation Agreement (September 17, 2004)

**CONTACTS**

Karen Greiber  
Special Services and Financial Statements  
(608) 266-3541

Sally A. Acuff, Chief  
Special Services and Financial Statements  
(608) 266-9576

**STATE AND LOCAL RATE AGREEMENT**

EIN #: 1396006469A1

DATE: September 17, 2004

**DEPARTMENT/AGENCY:**

State of Wisconsin  
 Department of Health & Family Services  
 1 West Wilson Street  
 P.O. Box 7850  
 Madison, WI 53702-7850

FILING REF: The preceding  
 Agreement was dated  
 January 9, 2003

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section II.

**SECTION I: INDIRECT COST RATES\***

RATE TYPES: FIXED FINAL PROV.(PROVISIONAL) PRED.(PREDETERMINED)

<u>TYPE</u>	<u>EFFECTIVE PERIOD</u>		<u>RATE(%)</u>	<u>LOCATIONS</u>	<u>APPLICABLE TO</u>
	<u>FROM</u>	<u>TO</u>			
<u>DIVISION OF PUBLIC HEALTH</u>					
FINAL	7/1/01	6/30/02	6.9	On Site	All Programs
FINAL	7/1/02	6/30/03	6.0	On Site	All Programs

**DIVISION OF CARE AND TREATMENT FACILITIES**

FINAL	7/1/01	6/30/02	4.9	On-Site	All Programs
FINAL	7/1/02	6/30/03	4.0	On-Site	All Programs

**DIVISION OF CHILDREN AND FAMILY SERVICES**

FINAL	7/1/01	6/30/02	7.4	On Site	All Programs
FINAL	7/1/02	6/30/03	7.5	On Site	All Programs

ORGANIZATION:  
State of Wisconsin  
Department of Health & Family Services

DATE: September 17, 2004

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section II.

**SECTION I: INDIRECT COST RATES\***

RATE TYPES: FIXED FINAL PROV.(PROVISIONAL) PRED.(PREDETERMINED)

<u>TYPE</u>	<u>EFFECTIVE PERIOD</u>		<u>RATE(%)</u>	<u>LOCATIONS</u>	<u>APPLICABLE TO</u>
	<u>FROM</u>	<u>TO</u>			
<u>DIVISION OF HEALTH CARE FINANCING:</u>					
FINAL	7/1/01	6/30/02	5.5	On Site	Div of Healthcare Financing excluding the DDB
FINAL	7/1/02	6/30/03	4.8	On Site	Div of Healthcare Financing excluding the DDB
FINAL	7/1/01	6/30/02	4.5	On Site	Disability Determination Bureau (DDB)
FINAL	7/1/02	6/30/03	4.3	On Site	Disability Determination Bureau (DDB)

DIVISION OF SUPPORTIVE LIVING:

FINAL	7/1/01	6/30/02	4.7	On Site	All Programs
FINAL	7/1/02	6/30/03	4.3	On Site	All Programs

ORGANIZATION: State of Wisconsin  
Department of Health & Family Services

DATE: September 17, 2004

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section II.

SECTION I: INDIRECT COST RATES(CONTINUED)

RATE TYPES: FIXED FINAL PROV.(PROVISIONAL) PRED.(PREDETERMINED)

<u>EFFECTIVE PERIOD</u>			<u>RATE(%)</u>	<u>LOCATIONS</u>	<u>APPLICABLE TO</u>
<u>TYPE</u>	<u>FROM</u>	<u>TO</u>			
<u>GENERAL ADMINISTRATION</u>					
FINAL	7/1/01	6/30/02	4.6	On-Site	Office of the Secretary
FINAL	7/1/02	6/30/03	4.1	On-Site	Office of the Secretary
FINAL	7/1/01	6/30/02	3.5	On-Site	Management and Tech Excluding (BIS)
FINAL	7/1/02	6/30/03	3.2	On-Site	Management and Tech Excluding (BIS)
FINAL	7/1/01	6/30/02	4.6	On-Site	Bureau of Information Services (BIS)
FINAL	7/1/02	6/30/03	4.2	On-Site	Bureau of Information Services (BIS)
FINAL	7/1/01	6/30/02	6.8	On-Site	Office of Strategic Finance
FINAL	7/1/02	6/30/03	5.8	On-Site	Office of Strategic Finance
PROV. 6/30/03".	7/01/03	Until Amended "Use same rates and conditions as cited for fiscal year ended			

ORGANIZATION: State of Wisconsin  
Department of Health & Family Services

DATE: September 17, 2004

The indirect cost rates shown on this State and Local Rate Agreement do not apply to programs requiring the use of a restricted indirect cost rate(s).

**\*BASE:**

Direct salaries and wages excluding all fringe benefits.

**TREATMENT OF FRINGE BENEFITS:**

Fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed in the special remarks section of this agreement.

ORGANIZATION:  
State of Wisconsin  
Department of Health & Family Services

DATE: September 17, 2004

SECTION II: GENERAL

A. LIMITATIONS: The rate(s) in this Agreement is subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rate(s) is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing costs principles. (2) The same costs that have been treated as indirect costs are not claimed as direct costs. (3) Similar type of costs have been accorded consistent accounting treatment. (4) The information provided by the organization which was used to establish the rate(s) is not later found to be materially incomplete or inaccurate.

B. ACCOUNTING CHANGES: If a fixed or predetermined rate(s) is contained in this Agreement, it is based on the accounting system in effect at the time the agreement was negotiated. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of costs from indirect to direct. Failure to obtain such approval may result in costs disallowances.

C. FIXED RATES: If a fixed rate(s) is contained in this Agreement, it is based on an estimate of the costs for the period covered by the rate(s). When the actual costs for this period are determined, an adjustment will be made in a subsequent Agreement to compensate for the difference between the costs used to establish the fixed rate(s) and actual costs.

D. AUDIT: If a rate in this Agreement contains amounts from a cost allocation plan, future audit adjustments which affect this cost allocation plan will be compensated for during the rate approval process of a subsequent year.

E. USE BY OTHER FEDERAL AGENCIES: The rate(s) in this Agreement is approved in accordance with the authority in Office of Management and Budget Circular A-87, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in A above. The department/agency may provide copies of this Agreement to other Federal Agencies to give them early notification of the Agreement.

F. OTHER: If any Federal contract, grant or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this agreement, the department/agency should (1) credit such costs to the affected programs and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

ORGANIZATION:  
State of Wisconsin  
Department of Health & Family Services

DATE: September 17, 2004

SPECIAL REMARKS:

1. The allocation/billing methodologies have been approved for the following Wisconsin Department of Health and Social Services operations:
  - a. Bureau of Fiscal Service(BFS),
  - b. Bureau of Personnel and Employment Relations(BPER),
  - c. Fiscal Management System(FMS),
  - d. Automated Personnel Systems(APS)
  - e. Office of Legal Counsel(OLC)
  - f. Community Aids Reporting System(CARS)
  - g. Bureau of Information Systems (BIS)
2. FRINGE BENEFITS:

FICA	Worker's Compensation
Retirement	Unemployment Compensation
Group Insurance(Health, Life, Wage Continuation)	
3. Equipment means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.



ORGANIZATION:  
State of Wisconsin  
Department of Health & Family Services

DATE: September 17, 2004

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

BY THE ORGANIZATION:  
State of Wisconsin

DEPT. of HEALTH & FAMILY SERVICES  
(DEPARTMENT/AGENCY)

Donald N. Warnke  
(SIGNATURE)

DONALD N. WARNKE  
(NAME)

Director, Bureau of Fiscal Services  
(TITLE)

9/21/03  
(DATE)

BY THE COGNIZANT AGENCY  
ON BEHALF OF THE FEDERAL  
GOVERNMENT:

DEPT OF HEALTH AND HUMAN  
SERVICES

(AGENCY)

Henry Williams  
(SIGNATURE)

Henry Williams  
(NAME)

Director, Division of Cost Allocation  
(TITLE)

September 10, 2004  
(DATE)5417

HHS REPRESENTATIVE: Robert Vernon  
Telephone: (708) 445-8627